



Santa Ana Watershed Project Authority

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April 23, 2014

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Valley
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Empire
Utilities
Agency

Mr. Keith Wallace
California Department of Water Resources
Division of Integrated Regional Water Management
Financial Assistance Branch
Post Office Box 942836
Sacramento, CA 94236

Re: 2014 IRWM Drought Solicitation – Draft PSP and Guidelines Comments

Dear Mr. Wallace:

We appreciate the opportunity to provide comments on the 2014 IRWM Grant Solicitation Proposal Solicitation Package (PSP) and Guidelines. We are hopeful that you find these comments helpful from the Santa Ana Watershed Project Authority, SAWPA, the regional water management group for the Santa Ana IRWM region and funding area.

Integrated Water Management is, in my opinion, the most important strategy as we confront 21st Century water challenges. This IRWM program must facilitate the implementation of this strategy if California is to thrive. Every opportunity needs to be taken to make the program accessible to the water resource managers while protecting the standards of IRWM. I am concerned that many of administrative decisions have had the result of undermining the promise of Integrated Water Management.

- 1) Waive Scoring for One IRWM, One Funding Area.** Our most significant comment that we have strongly encouraged DWR to address on multiple occasions in the past comments regarding Proposition 84, IRWM Rounds 1 and 2 and in comment letters regarding the 2014 and 2015 solicitation process improvement relates to deferring project selection to local IRWMs. SAWPA, as the sole IRWM region for the Santa Ana funding area, should not be competitively scored statewide and we still believe that in accordance with Proposition 84 legislation and the PCR, competition should be limited to areas with more than one applicant in a Funding Area. DWR should review our application only for consistency with the law and the principals of IRWM. This is reflected under PCR 75028: *The department **shall defer** to approved local project selection, and review projects only for consistency with the purposes of Section 75026. PRC §75026 states that DWR should request only information necessary to confirm that a grant application project is consistent with the local IRWM Plan, provides multiple benefits, and helps to achieve DWR's program preferences.*

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SAWPA/OWOW is the only applicant in the Santa Ana Funding Area because early on SAWPA and the Santa Ana River Watershed's stakeholders understood the importance of being unified. Through the Regional Acceptance Process, we worked hard to form one Integrated Regional Water Management Group. SAWPA developed and implemented the integrated regional planning process—which was not always popular with all stakeholders—because we believed it was our responsibility to the State and to our own region.

In review of the Guidelines, we see that DWR still intends to use a statewide competitive scoring process for all applicants rather than following the Public Resource Code pertaining to Proposition 84, Chapter 2. Further, no mention is made in the Guidelines or PSP of deferring to local IRWM region governance. We believe that following such a process would expedite the grant funding process. A scoring process to make funding decisions thwarts the intent of Proposition 84, Chapter 2 and the SB 104. We recommend that all scoring criteria for the IRWM projects submitted under the 2014 Grant Solicitation be waived for those funding areas with one IRWM region.

- 2) **Ineffective Streamlining.** In review of the project benefits and analysis section, it appears that much of the same bulleted requirements are taken right out of previous PSPs with minimal economic analysis removal with the exception of a few tables on avoided costs. This analysis continues to reflect an archaic approach to project evaluation not reflecting the merits of innovation or a simplified approach intended under IRWM region project review.

We believe a better and streamlined process would be a two-step process of concept proposal and then final proposal. This approach has been successfully used for IRWM projects by the SWRCB as reflected in the Proposition 84 Storm Water Grant Program issued on February 17, 2009. The concept proposal consisted of a simple five-page form. It should be noted that in that grant application form, there was no multi-page economic analysis required. Even in their full proposal stage, the benefits and analysis section was covered under eight basic questions. Since the SWRCB is under the same legislative and auditing oversight as DWR, this simpler two-step proposal process is a proven approach, is efficient for the applicant, is streamlined, reduces costs to prepare applications and will result in a similar level of effective project selection. Further, since economic feasibility analysis is already a required review factor for all IRWM projects as defined on page 47 of the existing 2014 IRWM Drought Guidelines, we believe an even better approach would be to eliminate this section entirely from the application and defer to the local governance and project review process to meet the benefit cost analysis requirements and request the documentation of this analysis from the IRWM regions only. We recommend this particularly in light of the very tight schedule proposed for the 2014 Expedited Drought Relief Solicitation.

- 3) **Consideration of Innovation.** Under the process improvement workshop, DWR stressed that they were looking to recognize and support innovation. Based on our review, there is no evidence that this has occurred. In review of the scoring criteria, no mention is made of points provided for projects that reflect innovation, expanded collaboration and integration, or support for pilot scale projects. All these concepts have been stressed in prior comments to the DWR and have been generally ignored entirely other than what is defined as a requirement in the IRWM plan. As part of a regions long-term water resource management, IRWM regions should be considering these types of projects and supported with grant funding to implement even with expedited time schedules. We recommend that DWR include text to encourage this in the PSP. Similar to previous comments, for our region with one IRWM for the Funding area, we recommend that DWR defer to our local IRWM governance to support projects that are innovative, system-wide, integrated and collaborative in the project selection process without DWR project scoring.
- 4) **Shorten Grant Application.** In discussions about process improvement, one concept suggested to streamline and focus the grant application would be to limit the application to what would be included in a grant agreement with DWR. This would likely reflect just the workplan, budget and schedule for each project. Based on feedback from Traci Billington in the Waterside Chat webinar, the detailed workplan for the proposal would not be needed until after the application deadline as part of the contract preparation. However, the PSP indicates that scoring will be conducted based on not just the proposal level evaluation, but also the detailed information at each project level evaluation. Consequently, if an applicant wishes to score successfully to garner the most points, detailed information for each project as defined in their project workplans, budget and schedule will need to be submitted at the time of the application deadline. Consequently, efforts to streamline this process while assuring competitiveness by saying more detailed workplans can be submitted later after the deadline is misleading. Limiting the grant application to a very short form would assist IRWM regions in processing the grant application to meet the expedited schedule for the 2014 Grant Solicitation.
- 5) **Least Cost Alternative Analysis**
The text under Project Analysis on page 22 discussing the lowest cost alternative remains very confusing to the applicant particularly in light of legislation guidance on “not locally cost effective” and Traci Billington’s comments in the Waterside Chat webinar that annual costs must be factored into a comparison to define least cost alternatives. Table 6 asks for information about the project benefits and whether it is the least cost alternative. There is no mention of whether these are life time benefits or annual benefits, local agencies ability to fund or need, or whether the project is locally cost effective. It does ask that the project alternative be compared to alternative projects or methods but no guidance is provided on

the extent of this comparative analysis or what types of alternative projects or methods can be considered.

For example, most retail agencies have the ability to raise rates, subject to 218 requirements, to assure a project is affordable. Doesn't this mean then that there are really no projects that are "not locally cost effective" in essence? Further, all projects could be compared to theoretical projects that are far more expensive. Consequently, the project recommended will be always be the least cost alternative based on the alternatives chosen. Such an analysis will have very little value as presented in the PSP in helping application reviewers to discern whether a project is the lowest cost alternative.

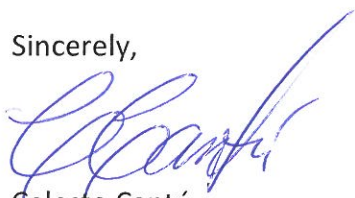
6) IRWM Project Review Process

A specific and extensive set of project review criteria, rating and ranking, and stakeholder involvement requirements are required for all IRWM regions to conduct in considering projects for inclusion in the IRWM plan as defined in the Guidelines on pages 42 - 46. Most IRWM regions update their IRWM plan rated and ranked project list as part of Proposition 84 IRWM grant opportunities that arise. The project selection process can take several months to conduct properly in an open, transparent and fair manner. Based on the very tight time frames defined between the release of the 2014 PSP and the application deadline, less than two months, we recommend that on page 17 under **Project Consistency with an adopted IRWM Plan**, that specific text be included indicating that the projects included in this 2014 grant solicitation will not be required to be listed in the adopted IRWM plan submitted with this application.

More time to properly conduct this work would have been preferred but it is understood that based on the emergency nature of this drought funding, an expedited schedule by DWR was needed.

We hope that you find these comments helpful. If you have any questions regarding these comments, please let us know.

Sincerely,



Celeste Cantú
General Manager

CC:MN:pb